

SC 07107
Copy No. 30

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
29 APRIL 1953

In view of the 30 April NSC meeting on the Austrian treaty, the following information may be useful:

The 260th meeting of the Austrian treaty deputies, which convened in London in early February after an interruption of formal negotiations since 1950, was adjourned by the Western Powers on 9 February after it became apparent that no progress could be expected. The specific issue in question at that time was Soviet insistence that the short treaty be withdrawn by the Western Powers as a condition for continuing the negotiations.

This the three Western Powers refused, although they did formally offer to withdraw the abbreviated treaty and to review the old long draft treaty on an article-by-article basis. Soviet references to other related matters which could be discussed only after the short treaty had been abandoned, presumably the questions of Trieste, demilitarization, and denazification, made it clear that this review would have no practical results.

There have been no further approaches by the Western Powers, due to the uncertainties caused by the Austrian elections, to a conviction that the Soviet Union had not changed its attitude on the treaty, and to disagreements among the Western Powers both as to tactics and to acceptable terms for an Austrian settlement.

The draft state treaty for Austria, the so-called long treaty, is the voluminous protocol which was negotiated by the treaty deputies in the 250-odd meetings which took place in the period from 1947 through 1950. Its terms prescribe the conditions for the restoration of complete Austrian sovereignty, the withdrawal of occupation troops, and most important, the settlement of Soviet reparations claims on Austria. With the exception of six articles, which are regarded as no serious obstacle to agreement, all articles and provisions of this draft treaty have been tentatively accepted by all four powers. The only remaining real obstacle to a conclusion of this draft treaty has been the USSR's insistence on reopening those articles pertaining to Austrian denazification and demilitarization and its contention that unless the Western Powers "comply" with the terms of the Italian Treaty relating to Trieste there is no guarantee of their compliance with the Austrian state treaty.

Mainly to break this deadlock the Western Powers, on American initiative, introduced in February, 1952, the so-called short treaty proposal. In contrast with the 59 articles of the long treaty, the short treaty contains only eight, all but one of which have previously been agreed to in discussions on the long treaty. With the exception only of the new Article 6, its provisions are only those necessary to the restoration of Austrian independence in accordance with the terms of the US-British-Soviet Moscow Declaration of 1943.

The new Article 6, however, would be most difficult for the Russians to accept unless they are genuinely willing to terminate their occupation. Under its terms, all of the powers would relinquish all claims to German assets or war booty claimed by them in Austria. Under the old Article 35, which this article would replace, the Soviet Union would have relinquished its claims to German property in Austria only in return for a cash payment of \$150,000,000, concessions and exploration rights in the highly valuable Austrian oil fields, and various properties of the Danube Steamship Company.

A Soviet reply to Western proposals for the short treaty was obtained last August, only after several months of diplomatic prodding. The Soviet rejection finally came in the form of a complaint that the new treaty proposal would not guarantee a democratic Austria and would not provide for an Austrian army. The Western powers then proposed to add to the short treaty those agreed provisions of the old treaty which specifically covered the question of the Austrian army and a democratic form of government. This proposal was also rejected by the Russians, and despite the UN General Assembly's recommendation last fall that negotiations should be resumed, the Soviet Union has continued to insist that formal withdrawal of the short treaty is the prerequisite for any further discussions.

~~CONFIDENTIAL~~

The three Western Powers and Austria have since disagreed sharply both as to the proper tactics to be pursued in the Austrian question and the risks which should be incurred. In general, the United States alone maintains the position that the Western Powers should not risk the possibility of having to conclude an Austrian treaty which, containing the Article 35 of the old draft, would leave the Soviet Union in possession of substantial economic interests in eastern Austria and in a position to subvert the Austrian Government. The US also holds that the provisions of Article 35 were conditional on the early signature of the treaty and that the continued Soviet extraction of millions of dollars worth of products and goods from their holdings in Austria makes the concessions contained in Article 35 unreasonable and unjustified. It has also been argued that Congressional approval of a \$150,000,000 loan to Austria, which might be required under Article 35, would be extremely difficult to obtain.

The British, French, and Austrian views, which differ somewhat in details, are based on the conviction that if the Soviet Union is ready for any treaty whatever the Western Powers are not in a position to refuse signature of the long draft. They agreed only reluctantly to the short treaty as a tactical maneuver, do not believe that it is an effective means for extracting concessions from the Russians, and doubt that the Soviet Union will ever settle for less than they have been offered in the old draft.

~~CONFIDENTIAL~~

The British, at least, also believe that no Austrian settlement is likely and that Western "generosity" will simply embarrass the Russians and "explode" Soviet peace overtures. Both the French and the British are also influenced by the Austrian willingness to accept a treaty at "almost any price" and their conviction that economic concessions can be "neutralized" once the Soviet troops are withdrawn.

There are numerous political, economic, and military reasons for believing that a Soviet signature to any Austrian treaty can only result from an important shift in Soviet policy. Leaving aside the question of the short and the long treaty, the USSR's withdrawal from Austria would cost it:

1. An advance base for Soviet troops which looks toward southern Germany, northern Italy, and Yugoslavia.
2. The legal excuse for the maintenance of troops along the Soviet lines of communication in Hungary, Rumania, and Bulgaria.
3. The value of the current production of Soviet industrial holdings in the Administration of Soviet Enterprises in Austria, and at least a substantial portion of the 3,000,000 ton a year Austrian oil production.
4. A means of blocking any Austrian contribution to Western European defense.
5. An espionage, subversion, and clandestine base for the acquisition of strategic materials.
6. An important buffer area between the West and Czechoslovakia and Hungary.

Recent Soviet peace gestures to Austria are considered insignificant. To date:

1. The Russians behaved in an unusually conciliatory manner on the Allied Council in Austria during April.
2. The local Soviet authorities have invited the strongly anti-Communist Austrian Minister of Interior, Helmer, to visit Moscow.
3. The internal Soviet amnesty was reportedly extended to Austrian prisoners of war and other Austrians in custody.
4. Vyshinsky informed the Austrian UN observer of Soviet willingness to sign a treaty, but added that withdrawal of the short treaty would facilitate agreement.

~~CONFIDENTIAL~~